

STUNTZ, DAVIS & STAFFIER, P.C.

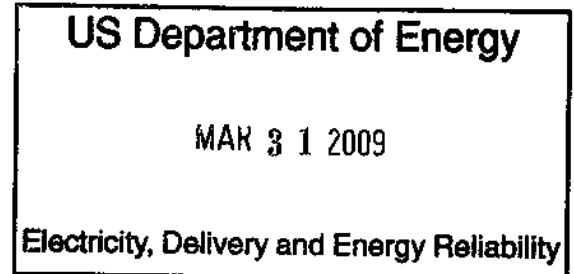
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March 31, 2009

Anthony J. Como
Director
Permitting and Siting
Office of Electric Delivery and Energy Reliability
U.S. Department of Energy
1000 Independence Avenue, SW
Room 6H-050, OE-20
Washington, DC 20585



Re: Presidential Permit PP-230-4

Dear Mr. Como:

Enclosed herewith for filing are an original and two copies of the Reply Comments of International Transmission Company d/b/a *ITCTransmission* in the above-referenced proceeding. Please contact the undersigned if you have questions regarding this filing. Thank you for your consideration.

Very truly yours,



John R. Staffier
Counsel for International
Transmission Company
d/b/a *ITCTransmission*

cc: Ellen Russell

**UNITED STATES OF AMERICA
DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY**

International Transmission Company)	
d/b/a ITC<i>Transmission</i>)	Docket No. PP-230-4
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**Reply Comments of International Transmission Company
d/b/a ITC*Transmission***

On January 5, 2009, International Transmission Company d/b/a ITC*Transmission* (“ITC”) applied to the Department of Energy (“DOE”) in this proceeding to amend its Presidential Permit PP-230-3 to authorize the installation and operation of two 700-MVA phase shifting transformers connected in series at its Bunce Creek Station in Marysville, Michigan. The new transformers, also known as phase angle regulators (“PARs”), will replace a single 675-MVA phase shifting transformer that failed at that location in 2003.

ITC’s application was noticed by DOE on February 4, 2009 (74 Fed. Reg. 6607 (February 10, 2009)), with comments, protests and requests for intervention being due on March 12, 2009. No protests or requests for intervention have been filed regarding the application, but comments were submitted by three parties, the New York Independent System Operator, Inc. (“NYISO”) which submitted a letter of support on March 9, 2009, the Independent Electricity System Operator of Ontario (“IESO”) which filed comments on March 11, 2009, and the Midwest Independent Transmission System Operator, Inc. (“Midwest ISO”) which submitted comments on March 12, 2009.

In response to these submissions, ITC respectfully states as follows:

A. All Parties Have Supported ITC's Proposal To Install Two New Phase Shifting Transformers At The Bunce Creek Station.

It must be emphasized at the outset that none of the commenters have protested or raised any objection to ITC's proposal to install and operate two new 700-MVA phase shifting transformers at its Bunce Creek Station. On the contrary, on that issue, which is the central issue raised by ITC's pending application, all three of the commenters are united in support of ITC's plans. Thus, NYISO has expressed its unqualified "support for [ITC's] application" and "respectfully requests that the Department of Energy promptly grant [ITC's] request to amend its Presidential Permit" (NYISO letter at 1, 2). Similarly, IESO has stated that "the installation of the new PARs is essential to reduce... unscheduled [loop] flows" and "recommends that the new PARs be placed in service as soon as possible" (IESO Comments at 2, 3). Finally, the Midwest ISO has stated that it "files these comments in support of the ITC petition" because "the Bunce Creek PAR will provide significant operational reliability benefits affecting the flow of energy across the interface between the United States and Canada". (Midwest ISO Comments at 1).

B. Conditions Regarding Future Operation Of The Proposed PARs Are Not Warranted.

Despite their support for ITC's proposal, both IESO and the Midwest ISO have requested that DOE condition its approval of ITC's application in certain respects relating to the future operation of the proposed facilities. IESO has urged that DOE's approval should be conditioned upon ITC turning functional control of the PARs over to the Midwest ISO (IESO Comments at 3). The Midwest ISO has similarly urged that the approval be conditioned upon ITC either (1) turning functional control of all of the interface facilities covered by ITC's Presidential Permit, including the PARs, over to the

Midwest ISO, (2) executing a Service Agreement for the Midwest ISO to provide Reliability Services on all such facilities, or (3) agreeing in writing that all such facilities, though not yet turned over to the Midwest ISO's functional control, are nevertheless subject to the provisions of the 2001 Appendix I Agreement between ITC and the Midwest ISO, which applies to other of ITC's facilities which have already been turned over to the Midwest ISO's control (Midwest ISO Comments at 8). The Midwest ISO has also urged DOE to clarify that when the PARs go into operation, they should be operated so as to match actual flow to scheduled flow "within practical considerations," rather than to "the maximum extent possible" or "the maximum practical extent" (*Id.* At 2-3). None of these requested conditions or clarifications are warranted.

1. DOE Should Not Intercede In Ongoing Contractual Negotiations Regarding The Interface Facilities And The PARs.

ITC has previously informed both DOE and the Federal Energy Regulatory Commission ("FERC") of its intention to turn the interface facilities (including the proposed new PARs) over to the functional control of the Midwest ISO. As the Midwest ISO has recognized, however, "transfer of functional control is a matter of contract" (Midwest ISO Comments at 4), and although the parties have been attempting for a considerable period to finalize the necessary arrangements, the negotiations are not yet complete. As explained below, ITC is attempting in the ongoing discussions to insure that, following the transfer of functional control, all terms and conditions of the Presidential Permit can and will be complied with, and ITC will have the legal and contractual rights necessary to protect its interests.

Historically, ITC (or its predecessors), as the Presidential Permit holder and as the owner and operator of the U.S. interface facilities, has had a direct contractual

relationship, in the form of an interconnection agreement, with the Canadian owners and operators of the corresponding Canadian facilities. The interconnection agreement and the various subsidiary operating instructions thereunder have been filed with DOE and incorporated into ITC's Presidential Permit. (See, e.g. Article 3 of the Permit). ITC has thus been in a position to control its own compliance with the Permit and both ITC and the Canadian parties have had direct contractual rights to enforce compliance by each other.

Going forward, there will be a new interconnection agreement between ITC and Hydro One Networks ("Hydro One"), the owner of the Canadian facilities. Functional control of those facilities, however, will reside with IESO, not Hydro One, and IESO is not a party to the new interconnection agreement. When ITC transfers control, functional control of the U.S. interface facilities will reside with the Midwest ISO which is also not a party to the interconnection agreement. IESO has a contractual relationship with the Midwest ISO covering the interface facilities in the form of a Coordination Agreement executed in October, 2008. The draft Operating Instruction appended to the Midwest ISO's comments in this case was negotiated pursuant to the Coordination Agreement. ITC was consulted regarding the Operating Instruction and has no substantive objection to it. ITC, however, is not a party to either that agreement or the Coordination Agreement, and IESO is unwilling to agree to ITC becoming a party. For ITC, the major challenge in the ongoing discussions is to resolve how it can reliably insure compliance with its Presidential Permit and its ability to protect its interests, without having a direct contractual relationship with IESO, the Canadian entity that controls the interface facilities in Canada.

These are not simple issues, but the parties are continuing to work on them and, in ITC's view, it would not be helpful for DOE to intercede in the contractual negotiations at this point. The new phase shifting transformers will be needed at Bunce Creek in any event, so there is no need for DOE to delay or encumber its approval of those facilities because of the unresolved contractual issues. However those issues are resolved, ITC will file with DOE all agreements relating to the future operation of the interface facilities, before the new transformers are energized, so that they can be properly reviewed by DOE and incorporated into ITC's Permit. DOE, therefore, will be fully informed on all operations issues in a timely fashion.

2. Clarification of the Standard to Which Actual Flows Must Match Scheduled Flows After the New PARs Go Into Operation Is Not Needed

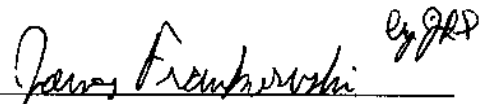
The Midwest ISO has asked that DOE clarify that when the new Bunce Creek transformers go into operation, they should be operated so that actual flows over the interface facilities will match scheduled flows "within practical considerations". (Midwest ISO Comments at 2-3). It claims to have been frustrated in the past by confusion as to whether the language of the existing Presidential Permit requires absolute matching of flows to schedule. (Id).

ITC believes that the "within practical considerations" language being proposed by the Midwest ISO is too ambiguous and too broad. ITC does not believe, however, that DOE should concern itself now with that operational issue. As indicated above, ITC intends to file updated operational information with DOE for incorporation in the Presidential Permit before the new transformers go into service. The matching issue will be addressed by the parties at that time and will be available for review by DOE.

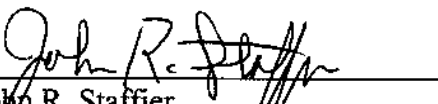
C. Conclusion

For the reasons set forth above, DOE should approve ITC's pending application in this proceeding, and should not adopt any of the conditions proposed by IESO or the Midwest ISO.

Respectfully submitted,



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Counsel for International Transmission
Company d/b/a ITC*Transmission*

Dated: March 31, 2009

**UNITED STATES OF AMERICA
DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY**

International Transmission Company)
d/b/a ITC*Transmission*)
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Docket No. PP-230-4

CERTIFICATE OF SERVICE

I hereby certify that I have caused a copy of the foregoing document to be served on each person designated on the official service list compiled by the Secretary of the Commission in this proceeding on this 31st day of March 2009.

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